

{As Prepared for Delivery}

**Land 'O Lakes Board of Directors
Washington, D.C.
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**Thomas C. Dorr
Under Secretary for Rural Development
Remarks**

Thank you. It's a pleasure to be here today. On behalf of President Bush and Secretary Johanns, welcome to USDA.

Let me begin by saying that I'm not a dairy farmer and I've never been a member of Land 'O Lakes -- but as an old farmer from Marcus, Iowa, I do know which is the business end of a cow.

I've spent most of my life growing corn, soybeans, and hogs and doing my business with First Farmers Coop in Marcus and the Farmers Coop Society in Sioux Center.

I know what coops have meant -- and still mean -- to rural America, and I know that Land 'O Lakes for many years has been an outstanding example of a diversified, value-added oriented, progressive cooperative.

Land 'O Lakes has also weathered some tough times. That comes with the territory. It's hard to think of any business that has prospered over 80-plus years that hasn't reinvented itself more than once.

As you know, one key test of a successful business is the ability to learn, grow, and adapt. And that, in fact, is the challenge today not just for successful businesses, but for all of rural America.

That isn't a new theme. It's everywhere. If I had a nickel for every time I've been at a conference and a speaker got up to talk about the impact of change on rural America, I'd be a rich man by now.

At USDA Rural Development, managing change -- which includes helping rural businesses profit from change -- is close to the core of our mission and at the heart of our mindset.

By statutory mandate, we are the leading federal advocate for rural America. We administer over 40 programs ranging from housing and community facilities to infrastructure to business development. In 2006,

we will deliver approximately \$17.4 billion in investment supported by an underlying budget authority of just \$1.96 billion. That's a multiplier of almost 900%. That's a pretty good return for the taxpayer.

Since 2001, we've invested over \$63 billion and created or saved over 1.1 million jobs. The numbers do add up.

Our mission has evolved over time. We have reinvented ourselves, and more than once. In this, in fact, we're not unlike Land 'O Lakes or any other successful, large business -- though notoriously government is not as good at this as the private sector.

In the beginning, for example, during the 1930's, my predecessors at the "Resettlement Administration" and the "Farm Security Agency" were concerned largely with emergency relief and farm stabilization. Today, however, USDA Rural Development is a venture capital entity.

- We recognize that sustainable development must be market driven, not program dependent.**

- **We are reorienting our programs toward market disciplines, both internally and externally.**
- **We want to be an investment banker for rural America, not a central planner or a lender of last resort. Our role is to support, encourage and empower local initiative, both public and private.**
- **We have historically been a close partner of cooperatives, and we still are.**
- **But today, we are also potentially a partner of anyone doing business in rural America: farmer, coop, partnership, LLC, or conventional corporation alike.**

In short, rural America is very different than it was 70 years ago. It is more diverse. It is more competitive. It is integrated into the global economy, linked by modern communications and transportation.

And as things change, our business model -- like yours -- is under constant pressure. Frankly, we have many of the same questions about the next Farm Bill -- and life after the next Farm Bill -- as do you:

- **Where do we go from here?**
- **Where are the opportunities?**
- **How do we need to change?**

That said, there are some Farm Bill questions that I'm not even going to attempt to answer. Developing the next Farm Bill will be a lengthy, deliberative, and consultative process.

Last year, USDA held 52 Listening Forums in 48 states to invite the broadest possible public discussion of the issues involved – conceived by President Bush and Secretary Johanns. Transcripts of those discussions are available on the USDA website.

On Monday of this week, USDA published an analysis of the thousands of comments we received. This is also on our webpage.

Sometime later this spring or summer, Secretary Johanns will share his recommendations with President Bush, and the President will work with Congress to develop an effective and fair Farm Bill.

I know that Secretary Johanns will be with you tomorrow and will probably touch on this process in more detail. He may also address questions having to do with the safety net for producers, WTO constraints, and the Doha Round of trade negotiations.

I will, therefore, leave the big picture to the Secretary. My portfolio at USDA Rural Development is much more limited.

But even from a purely Rural Development standpoint, it is clear -- whatever Congress does on price supports and trade -- that we are indeed reaching a tipping point in agricultural and rural policy.

The bottom line is, approximately 60 million people live in rural America and most of them don't farm. 96% of the total income in rural areas is from non-farm sources.

Even among farm families, most rely heavily on the job in town.

Averaging across the spectrum, large and small, about 90% of total farm family income is from non-farm sources.

The days when one could say “rural” and mean “farm” are long past.

The rural economy is increasingly diversified.

- **This isn't news to you. Land 'O Lakes has historically been a pacesetter. You didn't reach the mid range of the Fortune 500 by standing pat. Over the years, you've recognized opportunities and acted on them.**
- **You've been entrepreneurial. You've stayed close to your core competencies -- but you've built a great company by moving downstream into value added production and marketing.**
- **And as the world has gotten steadily more complicated, you built the management systems, financial capacity, and technology base to compete across a much more challenging spectrum.**

What you have done, others are doing -- and more every year. Part of our mission is to encourage that evolution -- to build entrepreneurs.

Rural America has tremendous opportunities. These include emerging new energy sources. Many of these -- like ethanol, biodiesel, wind, and solar -- are rural or ag-based and inherently distributed in nature.

Apart from energy, the opportunities include other biobased products. This is an area with unlimited potential that we are just starting to exploit.

The opportunities include broadband, which is producing the most revolutionary decentralization of information since the invention of the printing press. Broadband levels the playing field and makes rural communities more competitive across a wide range of industries than they have been in many decades.

Whether it's energy, manufacturing, services, recreation, or lifestyle driven relocation, the opportunities for rural America today are many.

Some of them, especially in the areas of value added and biobased products, I am sure are on your planning horizon as well as ours.

If we can seize these opportunities, I am convinced that the future of rural America is bright. But this won't happen automatically. So let me close with a very clear example that is also a warning.

About 9 months ago, I attended the Energy Finance Forum in New York City.

It was a fascinating mix of people -- starched shirt Wall Street types; long haired, denim and flannel shirt folks; and everything in between.

In total, there was about \$125 billion in venture capital walking around that room, looking to invest in green energy.

One of the presenters used an unnamed ethanol project as his example. As he went on, some of the details sounded familiar.

After he had finished, I went up and asked if the project was the one I was thinking of. The answer was yes.

Then I asked if any of the investment capital was from the Middle East. The answer was: most of it.

I am the last person in the world to want to stand in the way of the free flow of capital ...

... but I have to admit that Mideast petrodollars buying up American ethanol production is not the model of rural development I have in mind.

What is true of ethanol is also true of biodiesel, wind and solar power, biobased products, and other opportunities for wealth creation in rural America. The train is leaving the station.

The technologies are maturing. The potential is there. Markets are growing. These things are going to happen. The issue is whether people in rural America will participate as vendors, or as owners.

The answer to that question is in our own hands.

This is a direct challenge to USDA Rural Development – and to everyone working in rural America today.

We need to develop investment vehicles, business models, and an entrepreneurial culture that turn these opportunities into ownership and wealth creation in rural America.

Cooperatives historically have been one important vehicle for doing that. They will continue to be. But I believe that we are also going to see a proliferation of opportunities and business models in rural America, and that everyone involved will need to step lively to keep up.

Just as the Land 'O Lakes of today would be unrecognizable to your founders in 1921, the Land 'O Lakes of 20 years down the road may very well be very different from today.

The future belongs to those who are willing and able to adapt.

If we can do that, the future is bright. This is an area where I certainly look forward to further discussions with you.

Certainly we face challenges. But our opportunities are even greater than our challenges, if we have the vision and the will to pursue them.

I am confident that we will, and I look forward to working with you to get the job done. Thank you.